



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 1, 2003

S. 593 **Reservist Pay Security Act of 2003**

As introduced on March 11, 2003

SUMMARY

S. 593 would require federal agencies to pay any difference between military and civilian compensation for federal employees who, as members of the uniformed services or National Guard, were called to active-duty military service since September 11, 2001. CBO estimates that the cost of the bill would total \$201 million over the 2003-2008 period. Part of that cost would be mandatory (direct spending); the rest would be discretionary (subject to appropriation action).

CBO estimates that enacting this legislation would increase direct spending by a total of \$97 million over fiscal years 2003 and 2004 to make retroactive payments to federal employees on active duty between September 11, 2001, and the enactment date of S. 593. Such payments for the difference between civilian and military compensation occurring after enactment of the bill would be subject to the availability of appropriated funds. CBO estimates that those payments from appropriations would cost an additional \$104 million over the 2003-2008 period, assuming the current reserve force of 220,000 personnel declines to about 88,000 in 2004 and further declines to 15,000 by 2008.

S. 593 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 593 is shown in the following table. The costs of this legislation fall within all budget functions that include federal salaries.

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
Changes in Direct Spending						
Estimated Budget Authority	58	39	0	0	0	0
Estimated Outlays	58	39	0	0	0	0
Changes in Spending Subject to Appropriation						
Estimated Authorization Level	17	40	18	14	10	7
Estimated Outlays	15	37	21	14	10	7

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 593 will be enacted during June 2003 and that the necessary amounts for implementing it will be appropriated each year, including the remaining portion of fiscal year 2003. Enactment of S. 593 would entitle certain federal employees to retroactive pay; such costs would be considered mandatory because agencies would be required to make these payments whether or not they have sufficient appropriated funds. Implementing S. 593 also would lead to an increase in federal salary payments to pay the difference between civilian and military salaries for any federal employees called to active duty in the uniformed services or National Guard following enactment of the bill. Those payments would be subject to the availability of appropriated funds.

Based on information from the Department of Defense (DoD), CBO estimates that federal employees account for approximately 120,000 positions or almost 15 percent of the total Ready Reserve (which includes the Selected Reserve and the Individual Ready Reserve/Inactive National Guard). For this estimate, we assume that 15 percent of those reserves called to active service at any time are federal employees.

In a 2000 DoD survey of 35,000 reserve personnel, 59 percent of all reservists (including federal employees) reported either no difference in their income while on active-duty military status, or an increase in their income while on active duty. Forty-one percent reported a loss of income during mobilization and deployment. For this estimate, CBO assumes that these self-reported survey data are accurate and applicable to the current call-up of reservists and National Guard forces.

Of the 41 percent of survey respondents who reported a loss of income during military reserve service, most (about 70 percent) said their income was reduced by \$3,750 or less

while on active duty. On the other hand, some reported much larger losses. For example, approximately 7 percent of those reporting an income loss indicated a loss of \$37,000 to \$50,000 annually. Considering the loss in income reported by all survey respondents and the number who reported no loss or an increase in salary, CBO estimates that the average annual reduction in salary while serving in the active-duty military is about \$3,000.

Direct Spending

Based on information about the use of military reserves and National Guard since September 11, 2001, CBO estimates that about 3,000 federal employees were called to active duty for an average of 19 days in fiscal year 2001, and federal employees served on active duty the equivalent of just over 10,000 person-years during fiscal year 2002. Further, we estimate that an average of about 29,000 federal employees will have served on active duty over the first nine months of fiscal year 2003, bringing the total to more than 32,000 person-years of active-duty military service performed by federal employees from September 11, 2001, through June 30, 2003, when we assume the bill will be enacted. Using an estimated average difference of \$3,000 per year between military and civilian pay, CBO estimates that providing retroactive pay to affected personnel would cost \$97 million. We expect that some of those payments would be made in 2004 because of the time required to determine pay differentials and adjust payroll systems.

Spending Subject to Appropriation

The cost of implementing the legislation following enactment depends on the size of the future reserve force, which in turn depends on the duration of the military operation in Iraq and the force size required for it, as well as the size and duration of any future military conflicts, all of which very are uncertain. According to the DoD, over 224,000 reservists and National Guard members had been mobilized to fight the war in Iraq and support the global war on terrorism as of April 23, 2003. For this estimate, CBO assumes that the total number of reservists on active duty will decline to 88,000 person-years in fiscal year 2004 and to about 15,000 person-years by 2008. If the number of reservists called to active duty were to remain at current levels over the 2004-2008 period, the cost of implementing S. 593 would be significantly greater.

Based on the above assumptions about the future size of the reserve force, CBO estimates that an average of about 20,000 federal employees will be on active-duty military service between July 1, 2003, and September 30, 2003, diminishing to approximately 2,000 by 2008. On that basis, CBO estimates that the prospective costs of implementing this legislation

would total \$15 million in 2003 and \$104 million over the 2003-2008 period, assuming the appropriation of the necessary amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 593 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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